

COMMONWEALTH OF VIRGINIA

DELEGATE DANNY MARSHALL, Chair
SENATOR MAMIE LOCKE, Vice-chair
ELIZABETH A. PALEN, Executive Director



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VIRGINIA HOUSING COMMISSION

Meeting Summaries

Wednesday, December 6, 2017, 9:15 A.M.
House Room 1, The Capitol

Neighborhood Transitions and Residential Land Use

At 9:15, the **Neighborhood Transitions and Residential Land Use Workgroup** met. Senator Mamie Locke called the meeting the order at 9:15 A.M.

Workgroup members present were:

Senator Mamie Locke, Senator George Barker, Delegate Betsy Carr, Mark Flynn, Lawrence Pearson, Ron Clements, Tyler Craddock, Cindy Davis, Chip Dicks, Brian Gordon, Michelle Gowdy, Kelly Harris-Braxton, Joe Lerch, Barry Merchant, Katherine Payne, A. Vaughn Poller, Elizabeth Rafferty, Earl Reynolds, Ed Rhodes, Neal Rogers, Lauren Schmitt, William Walton and Jerry M. Wright

Elizabeth Palen explained the meeting format – the meeting would be brief and would consist of reviewing two pieces of proposed legislation: (i) criminal blight and (ii) carbon monoxide and smoke alarms. These pieces of proposed legislation had previously been sent to all interest parties and several changes have been incorporated to alleviate concerns of all parties.

Chip Dicks led the discussion of the proposed legislation--the content is listed in the full Commission meeting.

The meeting was adjourned at 9:45.

Full Commission

The meeting was called to order at 10:00 A.M. by the Chair, **Delegate Danny Marshall**.

Introductions of the members were made and a quorum was present. Members present were: Delegate Marshall, Senator Locke, Senator Barker, Senator Stanley, Delegate Carr, Delegate Knight, Delegate Peace, Mr. Flynn, Ms. Lafayette, Mr. Pearson and the director, Ms. Palen. Delegate David Bulova was approved to participate by phone; he was unable to attend in person due to a business conflict.

DELEGATE DANNY W. MARSHALL
DELEGATE DAVID L. BULOVA
DELEGATE BETSY CARR
DELEGATE BARRY D. KNIGHT
DELEGATE CHRISTOPHER K. PEACE

SENATOR MAMIE E. LOCKE
SENATOR GEORGE L. BARKER
SENATOR WILLIAM M. STANLEY, JR.

MARK K. FLYNN
LAURA D. LAFAYETTE
LAWRENCE PEARSON

The Commission approved wording of a policy for member approval by electronic means (see attachment) It will apply to workgroups and full Commission meetings.

The agenda was composed of speakers who addressed issues that are pertinent to the Commission as well as an overview of topics covered during the interim. Drafts also were voted on for endorsement to be introduced during the 2018 legislative session.

Housing and Persons with Mental Illness from a Sheriff's Perspective

Sheriff Ken Stolle spoke to the Commission about how as Sherriff of Virginia Beach he houses persons with mental illness and how lack of housing in the community impacts the mentally ill in his district.

He said he was a police officer for 11 years before deciding to study law, and later became a senator. In 2009 he left the Senate and became Sheriff of Virginia Beach in 2010.

The Virginia Beach Correctional Center (VBCC) is essentially the largest shelter; it houses 1,438 inmates, 438 of whom are mentally ill, which is one quarter of the inmates, adding a huge budgetary strain.

Stolle raises five to six million dollars through grass cutting services to add to the \$48 million budget (decreased from 2009 budget). VBCC does not receive any monetary assistance for helping the mentally ill persons who are incarcerated.

When he began as sheriff, mentally ill were sent to medical isolation; that is a block of 18 cells with 4x8 cells and no windows. They were quite unsatisfactory for many reasons. The jail has moved to a more progressive pod system where some inmates are eventually moved to general population. There are suicide and detox blocks as well.

Sherriff Stolle has asked the Community Services Board to take over mental health treatment in the jail. They refused because if the Board begins to provide services, it has to continue providing services to the individuals. Once those formerly incarcerated finish serving their time, the Community Services Board can't provide service when they are released from jail. There is no seamless transition to life outside of jail.

Currently the Virginia Beach jail has a 92 percent recidivism rate among those who are mentally ill. All deputies are specially trained so now there are virtually no assaults on deputies. There is also a 92.5% medication compliance rate which is phenomenally good. Assaults on deputies are essentially caused due to the inmate wanting to stay in jail and they know that this action will assure the continuance of the incarceration.

Every solution to this issue, Stolle believes, begins with housing options and a means to transition from jail to appropriate shelter. Many jailed mentally ill individuals do not feel safe when they are released. They have exhausted the availability of family help and have committed only minor felonies, or misdemeanors. The judges have very few options other than incarcerating the

individuals. Stolle is grateful to have the resources to help those who come to VBCC because there is not any viable alternative placement.

There is a need for places that are safe, a home where these individuals will stay on their prescribed medication. When mentally ill persons are released they receive three days of medication; an appointment with the community service board takes weeks to months and the ill person cannot get a prescription and is likely to go off medication.

If there is no housing, Stolle says, all other measures are a waste of time; there is a huge systems failure if detained persons who are mentally ill are begging not to get out of jail.

There are 5,000-7,000 mentally ill persons in jails across Virginia; and of those who need treatment approximately half are dangerously mentally ill. If action is not taken people will hurt others or themselves. This is an extremely important issue - the biggest issue in the community as far as Stolle is concerned.

Housing is critically important and anything the Virginia Housing Commission can do to help obtain resources for housing or a half-way house in jail, Stolle asked the Commission to seriously consider his ask.

Housing and the Economy

Bill Shelton, Director, Department of Housing and Community Development, spoke about state housing policy. As a result of Executive Order 32 the housing policy group began meeting three years ago in an effort to explore linkages in housing and economics and housing broader context. This was an independent look at the housing industry and how it ripples through the Commonwealth. The report of independent research was released at the Governor's Housing Conference in November. VCU, William and Mary, George Mason University and Virginia Tech are the research universities that have all worked together to develop quality research and to lead the discussion in how housing fits in the economy in a broader sense. This independent research group formed a consortium who released the report presented today.

The report puts in context how housing, in a broader context fits in to the key findings on housing policy. All the information will assist in working with a new administration.

Mel Jones and Andrew McCoy Virginia Tech Housing Policy Center

Mel Jones and Andrew McCoy from Virginia Tech presented an overview of study findings on how housing is connected to economic development. (The study is available on the Virginia Housing Commission website.)

First, Mel Jones began by speaking about the market implications of not having appropriate housing. The consortium presented its Phase I finding to the Commission earlier. To recap, the housing industry is the sixth largest in Virginia, provides over 300,000 jobs and adds \$14.8 billion in economic activity.

Today's presentation focused on Phase II of the study; housing supply and demand, the implications of quality, quantity as well as location of housing production and demand, what are the needs to provide for future workforce and how housing can impact growth.

These are the key findings:

- There is a shortage in every region of affordable housing that makes persons housing cost burdened. There is a need for substantial new housing and the homebuilding industry faces challenges.
- Millennials need affordable housing and it is not available.
- There is a positive linkage between housing and lower transportation costs; good transportation means that you don't have people look for places to live that offer more advantageous housing costs.
- In the urban crescent. i.e., Northern Virginia, Richmond, and Tidewater, high housing costs make it difficult for those of low and moderate income (stretching up to 120 percent of area median income). It contributes to making areas less attractive; especially in Northern Virginia - dense development makes some places more affordable.

The micropolitan area, defined as the reverse crescent and Charlottesville, Lynchburg, and along the 81 Corridor, boasts lower housing costs and some people are leaving the metropolitan areas and moving to these locales because the cost of living makes these areas more desirable. An issue, however is high transportation costs as people commute from Harrisburg to Charlottesville and like areas. The transportation costs are primarily related to distance; lower income individuals take different routes to avoid tolls.

Micropolitan regions have a population decline; they have few amenities and tend to lose residents. In the coal fields some are commuting from Kentucky because Virginia has the jobs but not affordable good housing.

The Martinsville/Danville area has great housing blight that is an on-going challenge. A good success story is the Riverwalk in Danville; the city is using it as a catalyst to re-invigorate and revitalize their downtown.

Good news for rural jurisdictions - people, most particularly millennials, just want an urban feel not necessarily to live in an urban area. Demand for housing in towns, rural towns are capitalizing on this fact. People want to walk to a bar, library; they no longer live in the county and want to come to town for supplies. There are lots of opportunity for revitalization in rural areas of the Commonwealth.

In some rural areas like Bath County, the second home market is causing housing prices to rise. The consequence is only those people who have inherited their homes can afford to work low-income jobs; micro-density is needed. It is hard for businesses to attract low-wage employees because they cannot secure housing.

A large issue statewide is the maintaining of older housing stock, what to do when housing has become irrelevant and is vacant - what do you do with it? Older mobile homes and their vacancy equals a public health issue.

Broad findings:

- There is a need for 225,000 net new housing units between now and 2024. People will not come to Virginia if housing is not affordable and appropriate. Likewise, we need to prevent those who live here from leaving the state for the same reasons.
- In the Commonwealth one in three are housing cost burdened; one in ten are severely (over 50% or more) housing cost burdened.
- If construction companies or companies that provide housing partner with employers, the state can retain people more effectively and move toward business expansion.

Housing production

Productivity drives growth and the new housing being built is less affordable. Entry level housing needs to be produced at an affordable rate and because of the cost of existing housing, the state has not seen growth since the last recession.

The issue is not just demand, but also for Virginia to improve on the supply side. There is a need for the education of the industry, a need to adopt technological plans to build housing. Also there is a need to build parts of housing from the ground-up so, as a state, Virginia can help drive the manufacturing industry.

Housing and community renovations

Through discussions, it was found in Virginia that there is a nexus between increased demand in downtown living and historic buildings.

Virginians appreciate the lineage when revitalizing historic buildings. This is accomplished combining the use of low income housing credits and historic tax credits. When infill housing is used to ameliorate transportation costs, people pinpointed there was a rise in new talent and entrepreneurs in that area, citing Petersburg as an example. And in Blacksburg an abandoned historic bank building was renovated into housing. There needs to be a density bonus for preservation of historic buildings and this will help loosen tight markets.

Delegate Chris Peace commented that Blacksburg does indeed look totally different. He mentioned that the Main Street Program is statewide and has helped Ashland and Kilmarnock.

Academic studies have shown that something as simple as hanging baskets of flowers from posts generates support for renovating the downtowns.

There is a need for innovative zoning; including parking solutions that can be built out so the parking area can house other uses when automated vehicles come into the state. The thought is that in five years' time won't need as much parking and will have other types of transportation. New technologies drive the trend to moving into rural towns.

Housing and economic opportunity

There needs to be an emphasis on children as they are our future workforce and need safe, stable, affordable and appropriate housing to avoid negative consequences. Parental stress and moves due to poor housing lead children to change from school-to-school or even to new school districts. These transitions hurt all children at schools. Appropriate housing supports child development.

Peace asked, is it a right or a privilege to have housing?

A discussion ensued. Comments were that globally, housing is not accessible so that would lean toward it being a privilege but, how not providing that privilege hurts all economically and emotionally. Congregate, dense housing of housing projects has had a negative effect.

The goal is to have mixed-income housing as all people living in community together influence one another. Poor consequences occur when there is isolated poverty, it influences all other aspects of people's lives.

Laura Lafayette recommended reading Mathew Desmond's, *Evicted*; its premise is that housing is a right. (Summary is available on the VHC website.)

Other points included in the conversation:

- Children's lack of access to education hurts the economy
- High quality housing leads to good overall health
- To support future housing needs based upon the high growth trajectory, building needs to be ramped up

A suggestion was made that the state and local governments need to partner with companies and nonprofits to facilitate production of housing. Decisive planning and policy in Virginia needs to be made as there is a federal devolution of funding. Virginia wants a migration of talent into the state - don't want to fall into a lower growth scenario; look to appendices of report for more on this issue.

The way forward is to provide housing near job centers for more efficiency and to off-set transportation costs, thereby decreasing cost-of-living.

It is better for the state to establish local consolidated production firms. Virginia does not have local tradespeople and needs to encourage the growth of construction trade among young people.

The wave of the future is in *housing technology* such as, modular housing manufacturing which could bring jobs and economic development to Virginia, instead of, or in addition to North Carolina.

Delegate Danny Marshall said that it was his understanding that there has not been a reset of single-home starts since the recession of 2006-2008. Additionally, he pointed out the Federal Reserve reports indicated that vast student loan debt makes younger people unable to qualify for mortgages. Also, federal banking regulations mean local banks cannot grant developers money to build spec houses.

Interim Studies

Elizabeth Palen gave an overview of topics covered during the interim. This year three workgroups heard a variety of issues: Neighborhood Transitions/Housing and the Environment, chaired by Senator Mamie Locke; Affordable Housing and Real Estate Law, chaired by Delegate Chris Peace and Common Interest Communities chaired by Delegate David Bulova. Each had in-depth discussions and experts testify on the issues.

Topics referred to the Commission included: (HB1628, HB 1639, Leftwich, 2017) which were heard by the Affordable Housing and Real Estate Law Workgroup. Delegate Leftwich came to speak about the Virginia Residential Landlord and Tenant Act; insurance; and the early termination of rental agreements and Virginia Residential Landlord and Tenant Act; disclosure of relationship between landlord and insurance companies. The workgroup looked at case law and had insurance representatives speak to the group. After the meeting Chip Dicks met with the Bureau of Insurance and it was determined that a waiver is standard in each homeowner policy.

This issue was resolved through the State Corporation Commission and the patron was satisfied with the result; therefore, there is no recommendation for these bills to go forward this legislative session.

Senator Stanley's (SB 993, 2017) bill concerning late fees, and the cascading of those fees was discussed in depth in two forums, the Affordable Housing and Real Estate Law Workgroup and a specially created sub-workgroup. It was determined that in order to eliminate the accrual of these fees, it would necessitate a change in accounting principles and it was therefore, not recommended by the workgroup to go forward.

Senator Frank Wagner's (SB 1575, 2017), concerning Real Estate appraisals and the fees appraisers are paid was discussed as well. The Workgroup heard from many appraisers about the fee schedule and fees that are allowed; DPOR was asked to more fully address the issue.

Affordable Housing and Real Estate Law Workgroup heard (SB 1515, Wagner), concerning manual entry door hardware. The Workgroup heard a presentation from Dr. Gail Mattola as well as from the Building Codes experts at DHCD; going forward this issue may be incorporated into the statewide building code and Dr. Mattola was invited to participate in the next cycle of Building Code meetings.

In the Common Interest Communities Workgroup Delegate Watts (HB 2376, 2017) spoke about non-professionally managed associations and the Property Owners' Association Act and the need for non-professionally managed associations to charge a comparable fee to that of professionally managed associations. There was not a consensus within the workgroup for this to move forward.

Senator Scott Surovell brought several issues concerning common interest communities of the group and they will be continued to be studied next interim.

Senator Siobhan Dunnavant (SB1401, Dunnavant 2017) spoke to the group about lot owner representation --the issue is owners who do not step off boards because provisions in the contracts

have yet to be completed. A solution was to have localities become more involved at the initial stage of zoning and site approvals, and then to follow through more clearly.

By letter request VHC received a request to study procedural barriers to project-based bonds from local housing authorities; this was a Department of Housing Community Development issue. The parties met and resolved the issue.

In the Neighborhood Transitions Workgroup Delegate Carr's (HB1934, Carr, 2017) concerning excessive calls was constructed in another manner and approved by the workgroup to go forward. It will be explained in depth by Chip Dicks. A proposed bill on carbon monoxide and smoke alarms was also approved by the workgroup and will also be explained in concept and form by Chip Dicks.

Chip Dicks said this bill is a consensus bill and conflicts have been worked out in workgroup meetings.

He said he took the Carr/Dance bills from 2017 session (HB 1934, Carr, 2017 and SB 1182, Dance, 2017) and recrafted them to find a better solution to the issue.

He amended the drug blight statute (one that he crafted 25 years ago) and added sex trafficking and prostitution into the statute. It is a local government enabling statute, so localities could pass an ordinance saying this particular property is blighted and the property owner would be required to take corrective action on physical issues i.e. like fencing. If the locality wants corrective action to be taken, the locality would have to swear under oath that the property owner was causing the property to be blighted and unsafe for the community.

When the locality takes action and puts a lien on the property the owner has to take corrective action within 30 days.

The Commission was asked to look to page 4 lines 84-96 -he explained, if a tenant or guest in a hotel is a problem and the landlord takes action against that tenant or guest; that constitutes sufficient action--if the locality goes overboard and if there is undue financial burden on the owner, the owner won't have to take action.

He further explained, when a motel/hotel is harboring this blight, a law enforcement official can get an inspection warren to get the guest registry.

This applies to any real property, but the focus is on motels that are used as hubs criminal activity. This is a civil offense, and circumstantial evidence makes it difficult to make a conviction but the real concern is about cleaning up the property overall.

Although this is different from criminal constraint, **Senator Bill Stanley** suggested there may be potential overreach and suggested adding language saying any evidence found can't be used in a criminal case and will not therefore, create a rational way of going around 4th amendment. You shouldn't be able to use a criminal blight inspection warrant if couldn't otherwise obtain a warrant. But, he is in agreement to amend in concept with the draft but would like some work on the search/seizure issue.

Delegate Betsy Carr mentioned that she heard from other legislators, some in rural localities and this is not just an urban issue.

There was a motion to endorse the proposed legislation and a second; Delegate Carr will carry this for the Commission.

Former Delegate Chip Dicks then presented the **Smoke and Carbon Monoxide Alarm** proposed legislation. The following summarizes what he reported comprises the draft legislation and the justifications for change.

Smoke alarms are regulated several different ways currently localities have the right to do so; some will have to be modified to come into conformance.

Chip Dicks mentioned that at the **Neighborhood Transitions Workgroup** held at 9:15 today, an amendment was added on line 22 of the draft saying nothing shall be construed to imply that a smoke alarm installed in accordance with a past edition to the Building Code (so most remodeled time frame.)

The previous statute pre-dated 1988 Fair Housing Law that is now incorporated in the normal process of installing smoke and carbon monoxide alarms. Line 94, struck other provisions and lines 107 through line 124 added the Landlord Tenant Act. -On page 6 the draft explains how the landlord would perform an inspection once a year and give a certificate; and this will be best practice throughout Virginia.

On lines 192-197 there is reconciliation of the Landlord/Tenant Act and Residential Landlord Tenant Act by bringing over the provisions into the draft.

On lines 250-253 referring to inspections and certificate of good working order, -the enactment clause is added because localities need time to pass ordinances to come in to compliance with the legislation. DHCD has agreed to a one meeting stakeholder group that will decide what the form look like, and the tenant obligations concerning smoke and carbon monoxide alarms.

After a motion and a second to recommend the proposed legislation: Delegate Carr will carry for the House and Senator George Barker for the Senate.

Delegate Marshall asked that other Housing Commission members sign on to each piece of endorsed legislation.

Laura Lafayette, CEO Richmond Association of Realtors; on behalf of Virginia Realtors

Lafayette reported that for her industry the number one concern is lack of inventory. There is an increased demand as millennials are now entering the market and as there has been delayed household formation but now there is increased eagerness to purchase homes. The economy in Virginia is outpacing nation and that confidence produces housing purchases.

Institutional investors put cash into the real estate market; they are less worried about pricing; in the Richmond region that purchase the small houses and add additions to create more expensive housing. for resale.

Seniors are aging place because of lack of choices in appropriate housing. There is a mismatch in the products being built and affordable price. Many Richmond area seniors own their homes without a mortgage but over 70 percent of senior homeowners in the region have homes worth less than 200k --340k is the average house price to move to an age appropriate home. Pricing trends are driving lack of inventory, after the market bottomed out in 2011 there has been a steady increase in price since then, since 2014 the median price has risen eight percent. The mortgage rates are at historic low rates --when she purchased her home in 1990 she had an 18 percent mortgage rate-- these very low rate are also driving demand for housing.

The rate of growth began tapering off in 2016 and slowed in 2017 and is currently slowing more. This is reducing housing market because lack of inventory and high demand means the seller is in control. A buyer needs a full price offer if they want to be successful in purchasing a home. A seller will see growth in equity and local government revenues will increase in every single jurisdiction.

Delegate Chris Peace said it is hard to focus on affordability in Hanover when new home starts are down and local policy officials find ways to partner with private sector.

Lafayette responded that density is key because the price of dirt is price dirt, the challenge is to zone for locational efficiency, -there is a need more units on each parcel, need more -secondary road funds so a person can get to work in reasonable amount time.

Delegate Betsy Carr said that the Richmond delegation asked for the Virginia Housing Commission to study and assemble representatives from throughout the Commonwealth including representatives of the Virginia Housing Development Authority, the Virginia Department of Housing and Community Development, local redevelopment and housing authorities, and local governments with large concentrations of public housing, to identify financing methods that could be developed or employed to assist localities in replacing concentrated public housing units. The Chair, and Commission agreed this was appropriate for the Commission and will be added to the 2018 work plan.

Delegate Marshall asked if there was any public comment and a speaker spoke about government in general.

Marshall thanked all for their hard work on the Commission.

The meeting was adjourned at 12: 22 P.M.

